

17 October 1968

MEMORANDUM FOR: Chief, Western Hemisphere Division

SUBJECT : State Draft Policy Paper on Chile

1. The stated purpose of the paper is to acquaint the new administration with this problem area. It also replaces the old contingency paper in response to the August 1968 [redacted] directive to that effect. There will be an 18 October intra-agency working level meeting and then the [redacted] will pass on the paper.

2. The principal thrust of the paper is that the U.S. Government in its overt posture should refrain from taking any dramatic steps in the event there is a swing to the left in the March 1969 Congressional elections. This means that U.S. aid should be continued, public statements on the situation by U.S. officials and Congressmen should be avoided, and if need be we should examine ways to reach a compromise solution with U.S. copper companies for partial nationalization to avoid full expropriation.

3. In reaching these conclusions the paper examines:

- a) the Frei administration's economic and social performance to date;
- b) the current general political panorama, including a description of the situation within the six major political parties;
- c) four possible outcomes of the March 1969 elections, including the ramifications for the 1970 presidential election of each possible situation.

4. In the working level meeting we propose to do the following:

- a) Limit the scope of CIA's review of the paper to an assessment of the political situation, leaving aside such

questions as conditions for U.S. aid and overt response of U.S. officials and members of Congress.

b) Concur in the basic objective to keep both the Chilean presidency and Congress free of Marxist control.

c) Ask that the reference in the paper (p. 25) to covert political action by the U.S. Government be deleted.

d) Differ on some points, especially (1) that the Frei economic and social record has been so successful; (2) that the Christian Democrats and Radicals could reasonably be expected to form a presidential electoral alliance (p.31); and (3) that the PDC would reasonably poll less than twenty percent of the vote (p.32).

e) Express the view that even should the CD's somehow succeed in controlling both houses of Congress after March 1969, this would not substantially reduce the prospect of a FRAP victory in 1970. (40% FRAP/Radical vote vs. 60% remainder, which split.)

f) Point out that, in terms of 1970, developments within the PDC (i.e., efforts to make an alliance with the Communists) are more important than the congressional election outcome. The point will be made that this strategy runs counter to U.S. objectives and should be mentioned in the paper.

